

Roll No: -----

**UNIVERSITY OF PETROLEUM
AND ENERGY STUDIES**



Mid Semester Examination – October, 2017

Program/course : BBA LLB

Semester – II

Subject: Business Economics - II

Max. Marks : 100

Subject Code :

Duration : 3 Hrs

No. of page/s : 6

SECTION – A (20 Marks)

Choose the correct option :-

Q.1 Property of marginal propensity to consume (MPC) is

- a) Always $MPC > 1$
- b) Always $(1/MPC) < 0$
- c) $(1 - MPC) < 0$
- d) $0 < MPC < 1$

(1 Mark)

Q.2 Change in government expenditure causes change in national income

- a) Positively
- b) Negatively
- c) Not at all
- d) All of the above

(1 Mark)

Q.3 Disposable income is defined as

- a) Income minus Tax
- b) Before tax income
- c) Income minus budget
- d) None of the above

(1 Marks)

Q.4 Real GDP is a measure of a country's

- a) wealth.
- b) money.
- c) economic transactions.
- d) physical output.

(1 Mark)

Q.5 Unemployed person means

- a) People receiving unemployment benefit

- b) People who could not find a job but willing to work
- c) People having no guarantee of job
- d) People running a grocery store after not finding a job (1 Mark)

Q.6 Which of the following is not an example of index on the health of an economy?

- a) Infant Morality Rate
- b) Literacy rate
- c) Unemployment rate
- d) Body Mass Index (1 Mark)

Q.7 Each of the following statements includes two terms. In three cases, the two terms mean the same as each other. In which case do the two terms not mean the same as each other?

- a) Nominal GDP and GDP at current prices.
- b) Real GDP and GDP at constant prices.
- c) The base period and the reference period.
- d) Changes in real GDP and the GDP deflator (1 Mark)

Q.8 Fisher's equation is

- a) Nominal interest rate = real interest rate - inflation rate
- b) Nominal interest rate – real interest rate = infalation rate
- c) Real interest rate = nominal interest rate – inflation rate
- d) Real interest rate – inflation rate = nominal interest rate (1 Marks)

Q.9 Increase in tax rate is supposed to influence the economy

- a) Nutrally
- b) Negatively
- c) Positively
- d) All of the above (1 Mark)

Q.10 When we talk about growth of economy, we mean

- a) Growth of population
- b) Growth in employment
- c) Growth in literatcy
- d) Growth of GDP (1 Mark)

Q.11 The sector contributing least to Indian GDP

- a) Finance
- b) Agriculture
- c) Manufacturing
- d) Mining (1 Mark)

Q.12 Quantity theory of money is expressed by

- a) $MV - PT = k$
- b) $MV = PY$
- c) $MV = kY$

d) All of the above (1 Marks)

Q.13 Aggregate demand is

- a) Total demand of goods and services of all persons in an economy
- b) Total demand of goods and services in accordance with total income in the economy
- c) Total demand of goods and services in accordance with total production in the economy
- d) Demand for goods and services of top 20% income group of an economy (1 Mark)

Q.14 If marginal propensity to consume is 0.48 the marginal propensity to save is

- a) 0.22
- b) 1.22
- c) 0.78
- d) 0.52 (1 Mark)

Q.15 With advancement in technology cost of production

- a) Increases
- b) Remains same
- c) Decreases
- d) None of the above (1 Mark)

Q.16 To earn income, people sell the services of the factors of production they own. Land earns _____; labour earns _____; capital earns _____ and entrepreneurship earns _____.

- a) profit; wages; rent; interest
- b) rent; wages; interest; profit
- c) wages; interest; profit; rent
- d) interest; profit; rent; wages
- e) profit; interest; wages; rent (1 Mark)

Q.17 Increased money supply (M) in an economy with price level (P) and velocity of money (V) constant

- a) decreases production
- b) increases production
- c) does not influence production
- d) All of the above (1 Mark)

Q.18 The Great Depression occurred in

- a) 1928
- b) 1929
- c) 1930
- d) None of the above (1 Mark)

Q.19 According to Classical Economics aggregate demand for goods and services is
a) Subject to Government regulation
b) Subject to Business regulation
c) self-adjusting with aggregate supply of that
d) None of the above (1 Mark)

Q.20 With inflation purchasing power of money
a) increases
b) remains constant
c) decreases
d) becomes zero (1 Mark)

SECTION - B (35 marks)

Answer any five questions : (7 marks each)

Q.18 What is 'Paradox of Thrift'?

Q.19 Differentiate between :

- (i) Frictional and Disguised Unemployment
- (ii) Aggregate Demand and Effective Demand

Q.20 If the value MPC is 0.5, what are effects on an economy of increased government expenditure and decreased tax rate?

Q.21 If nominal interest is 10% and inflation rate is 13% for an economy, would people like to hold liquid cash in hand? Explain.

Q.22 What is Business Cycle? Discuss the kind of Business cycles theorized by modern economists?

Q.23 Following are the data on Tax revenue of India taken from RBI. Answer the questions below using this data. Values in the cells are as Rs Billion (100 Crore).

Year	Tax revenue	Direct tax	Personal income tax	Corporation tax	Indirect tax
2013-14	8840.78	4728.61	1731.05	2991.07	4112.17
2012-13	7421.15	3973.45	1429.91	2523.18	3447.69
2011-12	6297.65	3433.10	1182.24	2274.11	2864.54
2010-11	5698.69	3135.01	1024.06	2091.15	2563.67
2009-10	4565.36	2716.23	945.32	1767.97	1849.13

- (i) Which one of the tax sources contributing most in tax revenue?
- (ii) When was direct tax as percentage of tax revenue more than indirect tax?
- (iii) What is the trend of direct tax as percentage of tax revenue for the given years?
- (iv) What is the trend of corporation tax as percentage of tax revenue for the given years?
- (v) When was corporation tax as percentage of tax revenue more than indirect tax?
- (vi) Which one of the tax sources contributing least to tax revenue?
- (vii) Which of years has seen maximum and minimum growth in tax revenue?

SECTION C (45 Marks)

Answer all the questions :- (15 marks each)

Q.24 From the following information,

$$Y = C + I + G; Y = 12000, G = 2750, T = 2750$$

$$C = 450 + 0.65(Y - T); I = 2500 - 75r$$

- (i) Work out the value of private saving, public saving, national saving
- (ii) Value of equilibrium interest rate
- (iii) Calculate (i) taking $G = 3000$

Q.25 Define in detail – a) Real GDP, b) Nominal GDP, and c) GDP Deflator

Q.26 “The tragedy with investment is that it causes crisis because it is useful.” – Elaborate.